

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7481**

**BILL NUMBER:** HB 1416

**NOTE PREPARED:** Jan 13, 2013

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Family Caregivers.

**FIRST AUTHOR:** Rep. Crouch

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill creates a tax credit for qualifying individuals who care for an elderly family member. A person qualifies for this credit if they have a federal adjusted gross income (FAGI) of less than \$50,000 and incur expenses in providing care to an elderly family member who: (1) has the same principal place of abode as the taxpayer; (2) has a FAGI of less than \$30,000; and (3) is not receiving long term care services under certain programs.

The bill specifies that the amount of the credit is equal to 50% of the expenses incurred by the taxpayer in providing care to such eligible family members during the taxable year. The maximum credit amount is \$500. The bill specifies that a taxpayer is not entitled to a refund, carryback, or carryforward of any credit.

**Effective Date:** January 1, 2014.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new credit. The DOR's current level of resources should be sufficient to implement this change.

**Explanation of State Revenues:** *Summary* - The bill establishes an individual Adjusted Gross Income (AGI) tax credit for people who provide care to an elderly family member within their own home effective beginning in tax year 2014. The credit could potentially reduce revenue from the individual AGI tax by an estimated \$13.5 M per year beginning in FY 2015. The revenue loss from this credit is likely to increase as the population over 65 increases. Revenue collected from the individual AGI Tax is deposited in the state General Fund.

*Additional Information* - This credit is available to people with a Federal Adjusted Gross Income (FAGI) less than \$50,000 who provide in-home care to a family member over the age of 65. The family member must be a sibling, lineal ancestor, lineal descendent, aunt, uncle, niece, nephew, or cousin. In addition, the qualifying family member must meet other eligibility criteria. The elderly family member's FAGI must be less than \$30,000 and cannot be receiving long term care services under specified state or federal programs.

The credit equals 50% of the qualified expenses incurred in providing care during the taxable year. The maximum allowable credit is \$500. The credit may be used to offset individual AGI tax liabilities in the year that it is earned. The credit is nonrefundable and may not be carried forward or carried back.

In 2011, the Bureau of Labor Statistics (BLS) conducted a study on the prevalence of elder-care provided by people in the United States. The BLS found that 16.3% of the civilian noninstitutional population provided care to someone over the age of 65. Of those people, 82.3 % cared for a family member, and 14.8% of the care was given in the provider's household. A model was constructed to estimate the revenue impact of this credit based on 2010 Individual AGI tax filers. The model evaluates the taxpayer's FAGI, tax liability, and, the probability that the taxpayer provides eldercare to a family member within his or her home based on the BLS statistics. The estimate assumes the elder family member living in the taxpayer's household meets all the eligibility criteria specified in the bill. The model identified about 41,600 taxpayers that may qualify for this credit, and the credit would offset an estimated total of \$13.5 M in tax liability.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** LSA Income Tax Database, Bureau of Labor Statistics, *American Time Use Survey - 2011*, June 22, 2012.

**Fiscal Analyst:** Heath Holloway, 232-9867.